

City of Wixom, Michigan

**Financial Report
with Supplemental Information
June 30, 2014**

City of Wixom, Michigan

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Independent Auditor's Report

To the City Council
City of Wixom, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wixom, Michigan (the "City") as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the City of Wixom, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wixom, Michigan as of June 30, 2014 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the City Council
City of Wixom, Michigan

Emphasis of Matter

As discussed in Note I to the basic financial statements, during the City's 2013-2014 fiscal year, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, unavailable revenue reported in the governmental funds is now reported as deferred inflows of resources. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison schedule, and the Pension and OPEB system schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wixom, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

December 1, 2014

City of Wixom, Michigan

Management's Discussion and Analysis

The purpose of this section of the City of Wixom, Michigan's (the "City") financial report for the fiscal year ended June 30, 2014 is to present a narrative overview and analysis of the financial activities of the City. Readers are advised to read this management's discussion and analysis in conjunction with the City's financial statements. These statements can be found in subsequent sections of this financial report.

Financial Highlights

As discussed in further detail in this management's discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2014:

- Property taxes increased, driven primarily by general increases in commercial and industrial properties.
- The City's governmental net position increased by \$1.2 million, whereas it declined over the past two years.
- The City increased its governmental funds fund balance by \$1.5 million this year, an increase from the prior two years (\$.3 million increase in 2013 and \$1.2 million reduction in 2012). Note that the difference in results between these two measurement bases is primarily due to reduced capital replacement expenditures (the full accrual basis reports the costs of assets acquired in prior years that are being used in the current year, but the modified accrual basis only reports assets as they are acquired). The City also implemented many cost-cutting measures in all departments through outsourcing and attrition.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

City of Wixom, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

Governmental activities include all activity other than the Water and Sewer Funds, which are considered business-type activities because they involve exchanges and are intended to be self-supporting activities. The following table shows the current year's net position, compared to the prior two years:

	Governmental Activities			
	2012	2013	2014	Change
Assets				
Cash and investments	\$ 9,421,769	\$ 9,589,640	\$ 11,277,978	\$ 1,688,338
Receivables and other current assets	2,151,495	1,874,375	2,092,886	218,511
Capital assets	41,684,011	39,541,166	37,730,415	(1,810,751)
Total assets	53,257,275	51,005,181	51,101,279	96,098
Liabilities				
Current liabilities	1,165,039	836,301	1,304,911	468,610
Long-term liabilities	10,327,456	9,458,803	7,878,157	(1,580,646)
Total liabilities	11,492,495	10,295,104	9,183,068	(1,112,036)
Net Position				
Net investment in capital assets	32,649,011	31,541,166	30,875,415	(665,751)
Restricted	6,340,723	6,471,929	6,404,663	(67,266)
Unrestricted	2,775,046	2,696,982	4,638,133	1,941,151
Total net position	<u>\$ 41,764,780</u>	<u>\$ 40,710,077</u>	<u>\$ 41,918,211</u>	<u>\$ 1,208,134</u>

The governmental net position increased 2.9 percent from a year ago - from \$40.7 million to \$41.9 million. This indicates that the resources available (approximately \$13.7 million) exceeds the cost of government (approximately \$12.5 million annually). It should be noted that the cost of government includes the cost of capital assets (roads, drains, buildings, etc.) as they are used (which represents approximately \$2.9 million of depreciation), rather than as they are acquired. Because of the recent economic downturn, the City has reduced its capital replacement program and, as discussed below, the modified accrual basis resulted in an increase in fund balance.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by \$1,941,151, although this was offset by a decrease in the restricted net position (the portion that is spendable for specified purposes) by \$67,266.

City of Wixom, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the current year's changes in net position compared to the prior two years:

	2012	2013	2014	Change
Revenue				
Program revenue:				
Charges for services	\$ 1,925,185	\$ 1,860,629	\$ 1,829,857	\$ (30,772)
Operating grants	806,922	874,225	966,626	92,401
Capital grants	185,950	487,752	294,117	(193,635)
General revenue:				
Property taxes	7,395,492	6,840,138	9,172,044	2,331,906
State-shared revenue	1,026,116	1,050,421	1,084,907	34,486
Investment earnings	36,069	28,490	28,590	100
Other revenue	356,112	294,217	353,141	58,924
Total revenue	<u>11,731,846</u>	<u>11,435,872</u>	<u>13,729,282</u>	<u>2,293,410</u>
Program Expenses				
General government	2,595,424	1,724,570	1,612,396	(112,174)
Public safety	4,524,324	4,696,939	4,272,598	(424,341)
Public works	4,516,683	4,490,133	4,999,445	509,312
Community and economic development	472,241	392,212	522,073	129,861
Recreation and cultural	837,189	832,218	798,377	(33,841)
Interest on long-term debt	373,499	354,503	316,259	(38,244)
Total expenses	<u>13,319,360</u>	<u>12,490,575</u>	<u>12,521,148</u>	<u>30,573</u>
Change in Net Position	<u>\$(1,587,514)</u>	<u>\$(1,054,703)</u>	<u>\$ 1,208,134</u>	<u>\$ 2,262,837</u>

The City's property tax revenue increased by \$2,331,906 compared to the prior year. This increase is primarily due to a four-year, separately voted 3.5 supplemental operating millage approved in November 2012. The additional revenue collected over expenditures is allocated to budget stabilization to be utilized toward future expenses. The City has offset prior decreases by decreasing capital expenditures and taking advantage of other cost-cutting measures as they present themselves. The City will re-evaluate its City-wide Capital Improvement Plan during the coming fiscal year, which will consist of a 10-year plan.

The cost of providing governmental services increased by about \$30,000 compared to the prior year. This can be generally attributed to overall cost of service increases, addition of a full-time firefighter position, vehicle purchases, and employees' retirement related costs and fringe benefit increases.

City of Wixom, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The following table shows the current year's net position, compared to the prior two years:

	Business-type Activities			
	2012	2013	2014	Change
Assets				
Cash and investments	\$ 7,469,411	\$ 7,699,145	\$ 7,842,997	\$ 143,852
Receivables and other current assets	2,355,077	2,039,754	1,711,297	(328,457)
Capital assets	<u>54,221,735</u>	<u>52,930,853</u>	<u>51,603,303</u>	<u>(1,327,550)</u>
Total assets	64,046,223	62,669,752	61,157,597	(1,512,155)
Liabilities				
Current liabilities	1,108,118	563,779	583,894	20,115
Long-term liabilities	<u>8,529,953</u>	<u>8,077,581</u>	<u>7,065,318</u>	<u>(1,012,263)</u>
Total liabilities	<u>9,638,071</u>	<u>8,641,360</u>	<u>7,649,212</u>	<u>(992,148)</u>
Net Position				
Net investment in capital assets	46,095,049	45,388,492	45,073,353	(315,139)
Unrestricted	<u>8,313,103</u>	<u>8,639,900</u>	<u>8,435,032</u>	<u>(204,868)</u>
Total net position	<u>\$ 54,408,152</u>	<u>\$ 54,028,392</u>	<u>\$ 53,508,385</u>	<u>\$ (520,007)</u>

The City's business-type activities consist of the water and sewer activities. The City provides water to residents through the wholesale purchase of water from the Detroit water and sewerage department and provides sewage treatment through a City-owned wastewater treatment plant. The Water and Sewer Funds are healthy, with unrestricted net position approximately 2.5 times annual program expenses.

City of Wixom, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the current year's changes in net position compared to the prior two years:

	Business-type Activities			
	2012	2013	2014	Change
Water				
Charges for services	\$ 2,048,031	\$ 2,213,713	\$ 2,096,847	\$ (116,866)
Grants and contributions	203,301	94,265	20,565	(73,700)
Program expenses	<u>(3,053,293)</u>	<u>(3,263,456)</u>	<u>(3,266,902)</u>	<u>(3,446)</u>
Net program expense	(801,961)	(955,478)	(1,149,490)	(194,012)
Sewer				
Charges for services	1,225,820	1,332,229	1,354,237	22,008
Grants and contributions	109,389	132,364	218,950	86,586
Program expenses	<u>(2,094,247)</u>	<u>(2,110,158)</u>	<u>(2,219,123)</u>	<u>(108,965)</u>
Net program expense	(759,038)	(645,565)	(645,936)	(371)
General Revenues				
Property taxes	955,421	1,185,629	1,225,309	39,680
Investment income	<u>44,517</u>	<u>35,654</u>	<u>50,110</u>	<u>14,456</u>
Change in Net Position	<u>\$ (561,061)</u>	<u>\$ (379,760)</u>	<u>\$ (520,007)</u>	<u>\$ (140,247)</u>

Over the past several years, the City has allowed its sewer rates to be set lower than its cost to provide services. This has been due primarily to the strong financial position of the Sewer Fund. During 2014, the City entered its first year of implementation of a financial master plan for the water and sewer system. This plan will allow the City to evaluate and set its rates on a yearly basis to ensure that the funding required to support the system is present.

Our analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2014 include the General Fund and the Special Assessment Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenditures of approximately \$4.1 million in 2014, and general government, which incurred expenditures of approximately \$2.5 million. The General Fund ended the year with approximately \$4.1 million of unrestricted fund balance, which represents 51 percent of annual expenditures.

City of Wixom, Michigan

Management's Discussion and Analysis (Continued)

The Special Assessment Fund accounts for the tribute drain improvements in the Village Center area completed in 2006 and the related special assessment that is intended to fund a portion of those improvements from the property owners. The actual costs came in lower than the amounts assessed, so the City did not bill the 2012 or 2013 assessments. It began billing the annual assessments again in 2014.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. The most significant change was to increase the estimated building permit revenue by approximately \$263,000 due to new construction and new developments entering the planning and construction permit process. City departments overall stayed below budget, resulting in total expenditures \$535,961 below original budget.

Capital Asset and Debt Administration

At the end of 2014, the City had \$84.2 million (net of depreciation) invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. Major purchases included a new dump truck with a wing plow attachment and a fire department medic unit. 2014 also brought about the completion of an economic development study and funding was provided by a federal grant. In addition, the City has invested significantly in roads within the City. The debt balances related to the acquisition and construction of these assets at June 30, 2014 were approximately \$13 million. Additional information regarding capital assets and related debt is available in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The diverse tax mix of residential, manufacturing, office, service, technology, and retail-recreational centers reduces the City's impact of adverse economic cycles and provides a stable environment for new investment. The City also continues to have a strong, diversified tax base. A total of 39 percent of the 2014 tax roll is residential, including single family and multi-family homes. The remaining 61 percent is nonresidential, composed of 41 percent commercial and industrial, and 20 percent personal property. The City is approximately 80 percent developed. The State Tax Commission requested a procedural change for the 2010 assessment year which reclassified a significant portion of industrial to commercial property classification.

The region, which includes the City of Wixom and the surrounding area of Oakland County, has 14.3 percent of all people employed in Michigan (2003). More than 784,000 people work in Oakland County's 44,512 business establishments and government agencies, with 35 percent of Global Fortune 500 companies having business locations in Oakland County. The City continues to attract businesses of national and international importance.

City of Wixom, Michigan

Management's Discussion and Analysis (Continued)

It is estimated that the future taxable values will remain the same in the real estate market. The estimated change in taxable value over the next two years will likely not be significant. This is predicated on the assumption that the downward trend in the housing market has hit bottom and will begin to slowly rise. As discussed with City Council, the five-year action plan will need modification to assist in softening the impact of this trend on the City's budget.

During fiscal year 2013-2014, investor confidence in the community improved, evidenced by new construction and new developments entering the planning and construction permit process. Efforts continue to bring about the repurposing of the Wixom Ford Assembly Plant's 318-acre site. Menards, a Wisconsin-based home improvement retailer, has purchased 45 acres. The 45 acres were part of the plant, which occupied 318 acres. Menards has estimated opening the store, creating approximately 100 jobs, by spring 2015. It is anticipated that along with Menards, multiple retailers and retail services would occupy the adjacent properties. General RV has also begun construction and is nearing completion on the site, which will represent a relocated showroom and corporate headquarters.

Contacting the City's Management

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the finance department office at 49045 Pontiac Trail, Wixom, Michigan 48393.

City of Wixom, Michigan

Statement of Net Position June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 11,277,978	\$ 7,842,997	\$ 19,120,975	\$ 3,059,498
Receivables - Net (Note 4)	2,407,303	1,120,697	3,528,000	-
Due from primary government	-	-	-	5,660
Internal balances	(468,958)	468,958	-	-
Inventory	23,198	121,642	144,840	-
Prepaid expenses and other assets	131,343	-	131,343	-
Capital assets:				
Assets not subject to depreciation (Note 5)	5,717,484	44,675	5,762,159	154,296
Assets subject to depreciation (Note 5)	32,012,931	51,558,628	83,571,559	154,509
Total assets	51,101,279	61,157,597	112,258,876	3,373,963
Liabilities				
Accounts payable	691,739	539,820	1,231,559	-
Due to component units	5,660	-	5,660	-
Accrued salaries and other	169,688	44,074	213,762	-
Unearned revenue	437,824	-	437,824	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	151,130	-	151,130	-
Current portion of long-term debt (Note 7)	625,000	1,032,230	1,657,230	-
Due in more than one year:				
Compensated absences (Note 7)	556,725	-	556,725	-
Other noncurrent liabilities	-	535,368	535,368	-
Net OPEB obligation (Note 12)	315,302	-	315,302	-
Long-term debt (Note 7)	6,230,000	5,497,720	11,727,720	-
Total liabilities	9,183,068	7,649,212	16,832,280	-
Net Position				
Net investment in capital assets	30,875,415	45,073,353	75,948,768	308,805
Restricted for:				
Roads and bike paths	2,428,984	-	2,428,984	-
Debt service	1,880,456	-	1,880,456	-
Land acquisition	1,015,271	-	1,015,271	-
Police forfeitures	11,309	-	11,309	-
Solid waste	104,778	-	104,778	-
Building and development	925,971	-	925,971	-
PEG fees	37,894	-	37,894	-
Unrestricted	4,638,133	8,435,032	13,073,165	3,065,158
Total net position	<u>\$ 41,918,211</u>	<u>\$ 53,508,385</u>	<u>\$ 95,426,596</u>	<u>\$ 3,373,963</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Wixom, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,612,396	\$ 188,602	\$ 89,091	\$ 186,263
Public safety	4,272,598	41,638	3,168	-
Public works	4,999,445	538,276	843,396	107,854
Community and economic development	522,073	842,860	19,675	-
Recreation and culture	798,377	218,481	11,296	-
Interest on long-term debt	316,259	-	-	-
Total governmental activities	12,521,148	1,829,857	966,626	294,117
Business-type activities:				
Water	3,266,902	2,096,847	-	20,565
Sewer	2,219,123	1,354,237	-	218,950
Total business-type activities	5,486,025	3,451,084	-	239,515
Total primary government	<u>\$ 18,007,173</u>	<u>\$ 5,280,941</u>	<u>\$ 966,626</u>	<u>\$ 533,632</u>
Component units:				
Downtown Development Authority	\$ 210,632	\$ -	\$ -	\$ -
Local Development Finance Authority	635	-	-	-
Total component units	<u>\$ 211,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Gain on sale of fixed assets				
Total general revenues				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities Year Ended June 30, 2014

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,148,440)	\$ -	\$ (1,148,440)	\$ -
(4,227,792)	-	(4,227,792)	-
(3,509,919)	-	(3,509,919)	-
340,462	-	340,462	-
(568,600)	-	(568,600)	-
(316,259)	-	(316,259)	-
(9,430,548)	-	(9,430,548)	-
-	(1,149,490)	(1,149,490)	-
-	(645,936)	(645,936)	-
-	(1,795,426)	(1,795,426)	-
(9,430,548)	(1,795,426)	(11,225,974)	-
-	-	-	(210,632)
-	-	-	(635)
-	-	-	(211,267)
9,172,044	1,225,309	10,397,353	196,136
1,084,907	-	1,084,907	-
28,590	50,110	78,700	17,176
224,582	-	224,582	-
63,139	-	63,139	88
65,420	-	65,420	-
10,638,682	1,275,419	11,914,101	213,400
1,208,134	(520,007)	688,127	2,133
40,710,077	54,028,392	94,738,469	3,371,830
\$ 41,918,211	\$ 53,508,385	\$ 95,426,596	\$ 3,373,963

City of Wixom, Michigan

Governmental Funds Balance Sheet June 30, 2014

	General Fund	Special Assessment	Nonmajor Funds	Total
Assets				
Cash and investments (Note 3)	\$ 5,696,754	\$ 34,515	\$ 5,546,709	\$ 11,277,978
Receivables	315,051	1,943,500	148,752	2,407,303
Due from other funds (Note 6)	409,123	-	1,531,004	1,940,127
Inventory	23,198	-	-	23,198
Prepaid expenses and other assets	131,343	-	-	131,343
	\$ 6,575,469	\$ 1,978,015	\$ 7,226,465	\$15,779,949
Total assets				
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 276,756	\$ -	\$ 414,983	\$ 691,739
Due to component units (Note 6)	5,660	-	-	5,660
Due to other funds (Note 6)	1,905,908	8,500	140,547	2,054,955
Advances from other funds	-	-	354,130	354,130
Accrued salaries and other	98,602	-	18,924	117,526
Unearned revenue	-	113,500	324,324	437,824
	2,286,926	122,000	1,252,908	3,661,834
Total liabilities				
Deferred Inflows of Resources -				
Unavailable revenue	-	1,830,000	9,437	1,839,437
Fund Balances				
Nonspendable:				
Inventory	23,198	-	-	23,198
Prepays	117,962	-	-	117,962
Restricted:				
Roads and bike paths	-	-	2,547,801	2,547,801
Debt service	-	26,015	24,441	50,456
PEG fees	37,894	-	-	37,894
Land acquisition	-	-	1,015,271	1,015,271
Police forfeiture	-	-	11,309	11,309
Solid waste	-	-	104,778	104,778
Development contracts	-	-	921,570	921,570
Community development	-	-	4,401	4,401
Committed:				
Cemetery	-	-	96,345	96,345
Budget stabilization	1,194,877	-	-	1,194,877
Assigned - Capital improvements	-	-	1,238,204	1,238,204
Unassigned	2,914,612	-	-	2,914,612
	4,288,543	26,015	5,964,120	10,278,678
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,575,469	\$ 1,978,015	\$ 7,226,465	\$15,779,949

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Wixom, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2014

Fund Balance Reported in Governmental Funds	\$ 10,278,678
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	37,730,415
Special assessments and other receivables that are not collected within 60 days of year end are not available to pay for bills outstanding as of year end, and are not recognized as revenue in the funds	1,839,437
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(6,855,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(52,162)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(707,855)
The liabilities for other postemployment benefits are not reported in the funds	<u>(315,302)</u>
Net Position of Governmental Activities	<u><u>\$ 41,918,211</u></u>

City of Wixom, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2014

	General Fund	Special Assessment	Nonmajor Funds	Total
Revenue				
Property taxes	\$ 7,402,319	\$ -	\$ 1,769,725	\$ 9,172,044
Licenses and permits	60,964	-	-	60,964
Federal grants	-	-	88,766	88,766
State-shared revenue and grants	1,096,203	-	809,468	1,905,671
Charges for services	1,027,518	-	699,183	1,726,701
Fines and forfeitures	21,115	-	1,333	22,448
Investment income	24,782	97	3,711	28,590
Rental income	41,383	-	-	41,383
Other revenue	383,618	107,854	216,386	707,858
Total revenue	10,057,902	107,951	3,588,572	13,754,425
Expenditures				
Current:				
General government	2,553,013	529	2,565	2,556,107
Public safety	4,088,086	-	24,394	4,112,480
Public works	517,118	8,775	1,176,600	1,702,493
Community and economic development	81,507	-	234,892	316,399
Recreation and culture	719,730	-	-	719,730
Capital outlay	-	-	1,422,575	1,422,575
Debt service	-	178,540	1,288,862	1,467,402
Total expenditures	7,959,454	187,844	4,149,888	12,297,186
Excess of Revenue Over (Under)				
Expenditures	2,098,448	(79,893)	(561,316)	1,457,239
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	65,420	65,420
Transfers in (Note 6)	4,941	-	916,880	921,821
Transfers out (Note 6)	(784,224)	-	(137,597)	(921,821)
Total other financing (uses) sources	(779,283)	-	844,703	65,420
Net Change in Fund Balances	1,319,165	(79,893)	283,387	1,522,659
Fund Balances - Beginning of year	2,969,378	105,908	5,680,733	8,756,019
Fund Balances - End of year	\$ 4,288,543	\$ 26,015	\$ 5,964,120	\$10,278,678

City of Wixom, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 1,522,659

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	1,095,107
Depreciation expense	(2,905,857)

Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	(90,563)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,145,000
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Change in accrued interest payable and other	6,143
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Change in net OPEB obligation	392,749
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Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	<u>42,896</u>
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Change in Net Position of Governmental Activities \$ 1,208,134

City of Wixom, Michigan

Proprietary Funds Statement of Net Position June 30, 2014

	Enterprise Funds		
	Water	Sewer	Total
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 1,150,498	\$ 6,692,499	\$ 7,842,997
Receivables - Net	672,823	447,874	1,120,697
Due from other funds (Note 6)	374,904	-	374,904
Inventory	20,755	100,887	121,642
Total current assets	2,218,980	7,241,260	9,460,240
Noncurrent assets:			
Advances to other funds (Note 6)	-	354,130	354,130
Capital assets	32,829,279	18,774,024	51,603,303
Total noncurrent assets	32,829,279	19,128,154	51,957,433
Total assets	35,048,259	26,369,414	61,417,673
Liabilities			
Current liabilities:			
Accounts payable	467,342	72,478	539,820
Due to other funds (Note 6)	-	260,076	260,076
Accrued interest payable	44,074	-	44,074
Current portion of long-term debt (Note 7)	1,032,230	-	1,032,230
Total current liabilities	1,543,646	332,554	1,876,200
Noncurrent liabilities:			
Customer deposits	-	535,368	535,368
Long-term debt (Note 7)	5,497,720	-	5,497,720
Total noncurrent liabilities	5,497,720	535,368	6,033,088
Total liabilities	7,041,366	867,922	7,909,288
Net Position			
Net investment in capital assets	26,299,329	18,774,024	45,073,353
Unrestricted	1,707,564	6,727,468	8,435,032
Total net position	\$ 28,006,893	\$ 25,501,492	\$ 53,508,385

City of Wixom, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2014

	Enterprise Funds		
	Water	Sewer	Total
Operating Revenue			
Sale of water	\$ 1,895,465	\$ -	\$ 1,895,465
Sewage disposal charges	-	1,166,637	1,166,637
Interest and penalty charges	81,815	72,802	154,617
Other miscellaneous charges	119,567	114,798	234,365
Total operating revenue	2,096,847	1,354,237	3,451,084
Operating Expenses			
Cost of water	1,641,926	-	1,641,926
Cost of sewage treatment	-	847,942	847,942
Other operating and maintenance costs	594,430	75,606	670,036
Billing and administrative costs	175,630	216,953	392,583
Utilities	-	252,620	252,620
Other miscellaneous charges	-	38,520	38,520
Depreciation	669,400	787,482	1,456,882
Total operating expenses	3,081,386	2,219,123	5,300,509
Operating Loss	(984,539)	(864,886)	(1,849,425)
Nonoperating Revenue (Expenses)			
Property tax revenue	1,225,309	-	1,225,309
Investment income	11,791	38,319	50,110
Interest expense	(185,516)	-	(185,516)
Total nonoperating revenue	1,051,584	38,319	1,089,903
Income (Loss) - Before contributions	67,045	(826,567)	(759,522)
Capital Contributions			
Benefit fees	19,980	218,950	238,930
Lines donated by developers	585	-	585
Total capital contributions	20,565	218,950	239,515
Change in Net Position	87,610	(607,617)	(520,007)
Net Position - Beginning of year	27,919,283	26,109,109	54,028,392
Net Position - End of year	\$ 28,006,893	\$ 25,501,492	\$ 53,508,385

City of Wixom, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2014

	Enterprise Funds		
	Water	Sewer	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 2,131,209	\$ 1,329,726	\$ 3,460,935
Receipts from interfund services	232,538	168,022	400,560
Payments to suppliers	(2,249,278)	(1,209,408)	(3,458,686)
Internal activity - Payments to other funds	(175,630)	(352,695)	(528,325)
Net cash used in operating activities	(61,161)	(64,355)	(125,516)
Cash Flows from Noncapital Financing Activities -			
Repayments of loans made to other funds	-	88,532	88,532
Cash Flows from Capital and Related Financing Activities			
Benefit fees	19,980	218,950	238,930
Property taxes (restricted for capital or capital debt)	1,225,309	-	1,225,309
Purchase of capital assets	(102,238)	(26,509)	(128,747)
Principal and interest paid on capital debt	(1,204,765)	-	(1,204,765)
Net cash (used in) provided by capital and related financing activities	(61,714)	192,441	130,727
Cash Flows from Investing Activities - Interest received on investments	11,791	38,318	50,109
Net (Decrease) Increase in Cash and Cash Equivalents	(111,084)	254,936	143,852
Cash and Cash Equivalents - Beginning of year	1,261,582	6,437,563	7,699,145
Cash and Cash Equivalents - End of year	<u>\$ 1,150,498</u>	<u>\$ 6,692,499</u>	<u>\$ 7,842,997</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (984,539)	\$ (864,886)	\$ (1,849,425)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	669,400	787,482	1,456,882
Changes in assets and liabilities:			
Receivables	34,362	(24,512)	9,850
Due from others	232,538	-	232,538
Inventories	(913)	7,494	6,581
Accounts payable	(12,009)	39,110	27,101
Due to others	-	(9,043)	(9,043)
Net cash used in operating activities	<u>\$ (61,161)</u>	<u>\$ (64,355)</u>	<u>\$ (125,516)</u>

City of Wixom, Michigan

Fiduciary Fund Statement of Fiduciary Net Position - Agency Fund Trust and Agency June 30, 2014

Assets

Cash and cash equivalents	\$ 509,173
Receivables:	
Other receivables	2,920
Due from other governmental units	<u>104,039</u>
Total assets	<u><u>\$ 616,132</u></u>

Liabilities

Due to other governmental units	\$ 183,390
Refundable deposits and bonds	<u>432,742</u>
Total liabilities	<u><u>\$ 616,132</u></u>

City of Wixom, Michigan

Component Units Statement of Net Position June 30, 2014

	Downtown Development Authority	Local Development Finance Authority	Total
Assets			
Cash and investments	\$ 8,990	\$ 3,050,508	\$ 3,059,498
Due from primary government	5,499	161	5,660
Capital assets	308,805	-	308,805
Total assets	323,294	3,050,669	3,373,963
Net Position			
Net investment in capital assets	308,805	-	308,805
Unrestricted	14,489	3,050,669	3,065,158
Total net position	<u>\$ 323,294</u>	<u>\$ 3,050,669</u>	<u>\$ 3,373,963</u>

City of Wixom, Michigan

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority	\$ 210,632	\$ -	\$ -	\$ -
Local Development Finance Authority	635	-	-	-
Total component units	\$ 211,267	\$ -	\$ -	\$ -
General revenues:				
Property taxes				
Investment income				
Other miscellaneous income				
Total general revenues				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Component Units
Statement of Activities
Year Ended June 30, 2014**

Net (Expense) Revenue and Changes in Net Assets		
Downtown Development Authority	Local Development Finance Authority	Total
\$ (210,632)	\$ -	\$ (210,632)
-	(635)	(635)
(210,632)	(635)	(211,267)
196,136	-	196,136
24	17,152	17,176
88	-	88
196,248	17,152	213,400
(14,384)	16,517	2,133
337,678	3,034,152	3,371,830
\$ 323,294	\$ 3,050,669	\$ 3,373,963

Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Wixom, Michigan (the "City"):

Reporting Entity

The City of Wixom, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Units - The Building Authority is governed by a board appointed by the City Council. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

Discretely Presented Component Units - The component unit columns in the government-wide financial statements include the financial data of the City's other component units. They are reported in separate columns to emphasize that they are legally separate from the City. The following component units are included in the reporting entity because the primary government is financially accountable and is able to impose its will on the organization. Financial statements are not issued separately for the component units for the DDA or LDFA.

- **Downtown Development Authority** - The Downtown Development Authority (the "Authority" or DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 11 individuals, is selected by the City Council. The City Council approves the development plans and must approve all modifications to the plan. The City maintains all accounting records for the DDA, whose primary source of funding is from tax increment financing revenues.

Note 1 - Summary of Significant Accounting Policies (Continued)

- **Local Development Finance Authority** - The Local Development Finance Authority (LDFA) was created to improve the public infrastructure within the central business district of the City. This has included primarily the improvement or construction of roads, drains, and water and sewer transmission lines. The primary source of funding has been the capture of incremental tax revenues of the various taxing units (city, county, community college, and others); however, the Authority is no longer capturing taxes. The board is currently in the process of a comprehensive review of the Authority's current plan. The LDFA's governing body, which consists of 11 individuals, is selected by the City Council or appointed by other governmental agencies.

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Note I - Summary of Significant Accounting Policies (Continued)

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Fund Accounting

The City accounts for its various activities in several different funds, in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures that specific revenues were used for. The various funds are aggregated into three broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, and capital project funds. The City reports the following funds as "major" governmental funds:

- **General Fund** - The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Special Assessment Fund** - This fund was established to account for the payment of annual principal and interest on bonds for the construction and improvement of the tribute drain. These annual requirements are met from annual special assessments to specific property owners.

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The City reports the following funds as "major" enterprise funds:

- **Water Fund** - The Water Fund accounts for the operation and maintenance of the water supply system, capital additions, and retirement of revenue bonds. Financing is provided by user charges and a dedicated debt service millage.
- **Sewer Fund** - The Sewer Fund accounts for the operation and maintenance of the sewage disposal system, capital additions and improvements, and retirement of revenue bonds. Financing is provided by user charges.

Note I - Summary of Significant Accounting Policies (Continued)

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. The City has an agency fund that accounts for assets held by the City. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Interfund Activity - During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Note I - Summary of Significant Accounting Policies (Continued)

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow".

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Note 1 - Summary of Significant Accounting Policies (Continued)

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Years
Roads and sidewalks	20-30
Water and sewer distribution systems	50-75
Water and sewer treatment facilities	40-50
Buildings and improvements	40-50
Vehicles	3-5
Office furnishings	5-7
Other tools and equipment	3-7
Drain improvements	50
Stormwater improvements	30

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item that qualifies for reporting in this category, deferred inflows of resources related to unavailable revenue. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: special assessments and grant reimbursements. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the finance director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City Council has adopted, by ordinance, a Budget Stabilization Fund under Michigan's Public Act 30 of 1978. The board of directors may, with a 2/3 vote, set aside General Fund surplus, up to a maximum of 15 percent of the most recent General Fund budget (or average of the five most recent budgets, if less). An appropriation from the Budget Stabilization Fund, which also requires a 2/3 vote of the board of directors, may only occur to correct a budget shortfall, or in the case of a natural disaster. The balance at June 30, 2014 of the stabilization amount, which is reported in the General Fund, is \$1,194,877.

Property Tax Revenue

Properties are assessed as of December 31. The related property taxes become a lien on December 1 of the following year. The taxes are due on February 28, after which point they are added to the county tax rolls and penalties and interest are assessed.

The City's 2013 tax is levied and collectible on July 1, 2013 and is recognized as revenue in the year ended June 30, 2014, when the proceeds of the levy are budgeted and available for the financing of operations.

City of Wixom, Michigan

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

The 2013 taxable valuation of the City totaled \$637.4 million (a portion of which is abated and a portion of which is captured by the LDFA and DDA). Taxes were levied as follows:

<u>Purpose</u>	<u>Millage Rate</u>	<u>Revenue</u>
General Fund - Operating	11.0429	\$ 6,981,000
Local Road Capital Program Fund - Capital	1.1500	727,000
Safety Path Fund - Capital	.3000	190,000
Major Road Program Fund - Debt	.8700	558,000
Water Fund - Debt	1.9000	1,219,000
DPW and Fire Building Fund - Debt	.4500	289,000
Total	<u>15.7100</u>	<u>\$ 9,964,000</u>

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree health care benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits and compensatory time. Vacation pay is fully vested when earned, and sick pay is conditionally vested upon completion of a certain number of years of service. Upon retirement, employees are paid accumulated vacation and 35 percent of unused sick days at their hourly rate as of their retirement date. A liability for the entire amount, current and long-term, is accrued in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only for employee terminations or retirements as of year end. Compensated absences will be liquidated by the General Fund.

Note I - Summary of Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds and internal service funds are charges to customers for sales and services. The Water and Sewer Funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

During the current year, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this Statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources.

As a result of implementing this statement, the following liabilities have been reclassified, as indicated:

Item	Amount	Prior Reporting Classification/Treatment	New Classification After Adoption of GASB Statement No. 65
Special assessment revenue in governmental funds not collected within 60 days of year end	\$ 1,830,000	Liability	Deferred inflow of resources
Grant reimbursements not received within 60 days of year end	9,437	Liability	Deferred inflow of resources

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at July 1, 2013	\$ (1,925,601)
Current year permit revenue	625,123
Less related costs	<u>538,919</u>
Current year surplus	<u>86,204</u>
Cumulative shortfall at June 30, 2014	<u>\$ (1,839,397)</u>

Fund Deficits - At June 30, 2014, the City had a deficit in the Major Road debt service fund.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated four banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the items described above. The City's deposits and investment policies are in accordance with statutory authority.

City of Wixom, Michigan

Notes to Financial Statements June 30, 2014

Note 3 - Deposits and Investments (Continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$2,607,753 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$1,294,597 was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities other than commercial paper, which limits purchases to those that mature more than 270 days after the date of purchase.

At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity (Days)
Primary Government		
Certificates of deposit	\$ 565,685	139
U.S. government agency securities	1,529,102	636
Commercial paper	1,378,563	348
Municipal bonds	2,398,804	201
Local government investment pool	<u>2,627,073</u>	646
Total	<u>\$ 8,499,227</u>	
Component Units		
Certificates of deposit	\$ 175,264	139
U.S. government agency securities	473,757	636
Commercial paper	427,116	348
Municipal bonds	743,215	201
Local government investment pool	<u>1,027,888</u>	646
Total	<u>\$ 2,847,240</u>	

City of Wixom, Michigan

Notes to Financial Statements June 30, 2014

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Local government investment pool	\$ 2,627,073	N/R	
Commercial paper	1,378,563	AA+	S&P
Certificates of deposit	565,685	A-I	S&P
U.S. government agency	1,529,102	AA+	S&P
Municipal bond	151,773	A+	S&P
Municipal bond	330,387	AA	S&P
Municipal bond	300,802	AA-	S&P
Municipal bond	265,984	AA+	S&P
Municipal bond	532,213	AAA	S&P
Municipal bond	316,007	NR	N/A
Municipal bond	501,638	SP-I	S&P
Total	<u>\$ 8,499,227</u>		
Component Units			
Local government investment pool	\$ 1,027,888	N/R	
U.S. Treasury	427,116	AA+	S&P
Certificates of deposit	175,264	A-I	S&P
U.S. government agency	473,757	AA+	S&P
Municipal bond	47,024	A+	S&P
Municipal bond	102,363	AA	S&P
Municipal bond	93,197	AA-	S&P
Municipal bond	82,409	AA+	S&P
Municipal bond	164,894	AAA	S&P
Municipal bond	97,907	NR	S&P
Municipal Bond	155,421	SP-I	S&P
Total	<u>\$ 2,847,240</u>		

Concentration of Credit Risk - The City places no limit on the amount it may invest in any one issuer. More than 5 percent of the City's investments are in the Oakland County Local Government Investment Pool (the "LGIP") at 32 percent. The LGIP is not registered with the SEC and does not issue a separate report. The LGIP is managed as a 2(a)(7) fund with its net asset value maintained at \$1. Fair value of the position in the pool is the same as the value of the pool shares.

City of Wixom, Michigan

Notes to Financial Statements June 30, 2014

Note 4 - Receivables

Receivables as of year end for the City's individual major funds and the nonmajor, Internal Service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Combined General Fund	Special Assessment	Nonmajor Funds	Total	Business- type Activities	Component Units
Receivables:						
Property taxes receivable	\$ -	\$ -	\$ 206	\$ 206	\$ -	\$ -
Special assessments receivable	-	1,943,500	-	1,943,500	-	-
Receivables from sales to customers on account	-	-	-	-	1,116,617	-
Other receivables	300,082	-	3,064	303,146	4,080	45
Due from other governmental units	14,969	-	145,482	160,451	-	-
Net receivables	<u>\$ 315,051</u>	<u>\$ 1,943,500</u>	<u>\$ 148,752</u>	<u>\$ 2,407,303</u>	<u>\$ 1,120,697</u>	<u>\$ 45</u>

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 5,078,786	\$ -	\$ -	\$ 5,078,786
Construction in progress	-	638,698	-	638,698
Subtotal	5,078,786	638,698	-	5,717,484
Capital assets being depreciated:				
Roads and sidewalks	61,372,249	120	-	61,372,369
Buildings, drains, and improvements	20,853,543	-	-	20,853,543
Vehicles	4,266,907	161,844	-	4,428,751
Machinery and equipment	3,114,781	290,484	(6,954)	3,398,311
Furniture and fixtures	946,200	3,961	(750)	949,411
Subtotal	90,553,680	456,409	(7,704)	91,002,385
Accumulated depreciation:				
Roads and sidewalks	42,035,080	1,951,565	-	43,986,645
Buildings, drains, and improvements	7,841,751	528,600	-	8,370,351
Vehicles	3,021,078	233,355	-	3,254,433
Machinery and equipment	2,352,498	175,955	(6,954)	2,521,499
Furniture and fixtures	840,894	16,382	(750)	856,526
Subtotal	56,091,301	2,905,857	(7,704)	58,989,454
Net capital assets being depreciated	<u>34,462,379</u>	<u>(2,449,448)</u>	<u>-</u>	<u>32,012,931</u>
Net capital assets	<u>\$ 39,541,165</u>	<u>\$ (1,810,750)</u>	<u>\$ -</u>	<u>\$ 37,730,415</u>

City of Wixom, Michigan

Notes to Financial Statements June 30, 2014

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
Capital assets not being depreciated - Construction in progress	\$ -	\$ 44,675	\$ -	\$ 44,675
Capital assets being depreciated:				
Water and sewer lines	52,095,780	82,798	-	52,178,578
Buildings and improvements	22,634,301	-	-	22,634,301
Machinery and equipment	1,758,813	1,859	-	1,760,672
Office furnishings	68,670	-	-	68,670
Information technology	62,693	-	-	62,693
Subtotal	76,620,257	84,657	-	76,704,914
Accumulated depreciation:				
Water and sewer lines	12,999,281	871,351	-	13,870,632
Buildings and improvements	9,026,117	552,343	-	9,578,460
Machinery and equipment	1,535,513	32,656	-	1,568,169
Office furnishings	68,670	-	-	68,670
Information technology	59,823	532	-	60,355
Subtotal	23,689,404	1,456,882	-	25,146,286
Net capital assets being depreciated	52,930,853	(1,372,225)	-	51,558,628
Net capital assets	<u>\$ 52,930,853</u>	<u>\$ (1,327,550)</u>	<u>\$ -</u>	<u>\$ 51,603,303</u>
Component Units	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
Capital assets not being depreciated - Land	\$ 154,296	\$ -	\$ -	\$ 154,296
Capital assets being depreciated:				
Buildings and improvements	499,892	-	-	499,892
Other tools and equipment	60,913	-	-	60,913
Subtotal	560,805	-	-	560,805
Accumulated depreciation:				
Buildings and improvements	322,634	22,749	-	345,383
Other tools and equipment	60,913	-	-	60,913
Subtotal	383,547	22,749	-	406,296
Net capital assets being depreciated	177,258	(22,749)	-	154,509
Net capital assets	<u>\$ 331,554</u>	<u>\$ (22,749)</u>	<u>\$ -</u>	<u>\$ 308,805</u>

City of Wixom, Michigan

Notes to Financial Statements June 30, 2014

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 202,494
Public safety	369,206
Public works	2,152,310
Economic development	99,609
Recreation and culture	<u>82,238</u>
Total governmental activities	<u>\$ 2,905,857</u>

Business-type activities:

Water	\$ 669,400
Sewer	<u>787,482</u>
Total business-type activities	<u>\$ 1,456,882</u>

Construction Commitments - The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Street project	<u>\$ 683,374</u>	<u>\$ 838,028</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Payable Fund</u>	<u>Receivable</u>	<u>Amount</u>
Due to/from Other Funds		
General Fund	Water Fund	\$ 374,904
	Nonmajor governmental funds	<u>1,531,004</u>
	Total General Fund	1,905,908
Special Assessment Fund	General Fund	8,500
Sewer Fund	General Fund	260,076
Nonmajor governmental funds	General Fund	<u>140,547</u>
	Total	<u>\$ 2,315,031</u>

City of Wixom, Michigan

Notes to Financial Statements June 30, 2014

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Receivable Fund	Payable Fund	Amount
Advances from/to Other Funds		
Sewer Fund	Capital Improvement Fund (a nonmajor governmental fund)	\$ 354,130
Receivable Fund	Payable Fund	Amount
Due to/from Primary Government and Component Units		
Downtown Development Authority	General Fund	\$ 5,499
Local Development Authority	General Fund	161
	Total	\$ 5,660

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The advance from the Sewer Fund to the Capital Improvement Fund was for the purchase of a fire truck in fiscal year 2009. The advance, plus interest, is being repaid over 10 years.

Interfund transfers reported in the fund financial statements are comprised of the following:

Transfer Out	Transfer In	Amount
General Fund	Nonmajor governmental funds	\$ 784,224
Special Agency Fund (a nonmajor governmental fund)	General Fund	4,941
Major Road Fund (a nonmajor governmental fund)	Local Road fund (a nonmajor governmental fund)	132,656
	Total	\$ 921,821

The General Fund transferred \$522,972 to the Capital Improvement Fund, \$255,768 to the DDA, and \$4,500 to the Major Road Fund for various capital purchases and projects.

City of Wixom, Michigan

Notes to Financial Statements June 30, 2014

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. The Special Assessment Tribute Drain Bonds are issued by Oakland County.

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligations:							
2009 refunding bonds	3.00%	\$250,000	\$ 1,065,000	\$ -	\$ 815,000	\$ 250,000	\$ 250,000
DDA/VCA development bonds	4.00% - 4.15%	\$250,000 - \$450,000	5,005,000	-	230,000	4,775,000	250,000
Contractual obligation with Oakland County - Special assessment bonds	3.50% - 4.40%	\$150,000 - \$200,000	1,930,000	-	100,000	1,830,000	125,000
Total bonds payable			8,000,000	-	1,145,000	6,855,000	625,000
Accumulated compensated absences			750,752	384,265	427,162	707,855	151,130
Total governmental activities			<u>\$ 8,750,752</u>	<u>\$ 384,265</u>	<u>\$ 1,572,162</u>	<u>\$ 7,562,855</u>	<u>\$ 776,130</u>

Total compensated absences will be liquidated by the resources of the General Fund. That fund will finance the payment of those claims by charging the other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds.

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
General obligation bonds:							
Water SRF Series 1	2.50%	\$162,637 - \$212,049	\$ 1,459,030	\$ -	\$ 202,411	\$ 1,256,619	\$ 207,230
Water SRF Series 2	2.50%	\$340,000 - \$390,000	2,525,000	-	335,000	2,190,000	340,000
Water SRF Series 3	2.50%	\$400,000 - \$453,331	2,963,331	-	390,000	2,573,331	400,000
Water Series 4	4.90% - 5.15%	\$85,000	595,000	-	85,000	510,000	85,000
Total business-type activities			<u>\$ 7,542,361</u>	<u>\$ -</u>	<u>\$ 1,012,411</u>	<u>\$ 6,529,950</u>	<u>\$ 1,032,230</u>

City of Wixom, Michigan

Notes to Financial Statements June 30, 2014

Note 7 - Long-term Debt (Continued)

Total interest expense for the year was approximately \$501,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 625,000	\$ 275,450	\$ 900,450	\$ 1,032,230	\$ 164,456	\$ 1,196,686
2016	420,000	253,388	673,388	1,057,049	136,300	1,193,349
2017	435,000	236,963	671,963	1,081,869	107,396	1,189,265
2018	455,000	219,563	674,563	1,121,507	77,866	1,199,373
2019	475,000	201,363	676,363	1,146,327	44,982	1,191,309
2020-2024	2,895,000	689,698	3,584,698	1,090,968	19,141	1,110,109
2025-2027	1,550,000	120,402	1,670,402	-	-	-
Total	<u>\$ 6,855,000</u>	<u>\$ 1,996,827</u>	<u>\$ 8,851,827</u>	<u>\$ 6,529,950</u>	<u>\$ 550,141</u>	<u>\$ 7,080,091</u>

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for employee health benefits claims, participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, and errors and omissions, and participates in the Michigan Municipal League (risk pool) for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the authority itself.

Note 9 - Regional Authority Cooperative Ventures

The City is a member of the Western Oakland County Cable Communication Authority (the "Authority"), a cooperative venture of western Oakland County communities. The City appoints one member to the Authority's governing board, which then approves the annual budget. The Authority receives a management fee from the cable television company and currently does not receive a subsidy from the City. Complete financial statements for the Authority can be obtained from the administrative offices at 3978 Chanda Court, Highland, Michigan 48031.

The City is also a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (the "Recycling Authority"). The Recycling Authority is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, Wixom, and the Charter City of Lyon. The City appoints one member to the Recycling Authority's governing board, which then approves the annual budget.

The Recycling Authority receives its operating revenue from member contributions and miscellaneous income. During the year, the City contributed approximately \$16,800 for its operations. Complete financial statements for the Recycling Authority can be obtained from the administrative offices at 2000 West Eight Mile, Southfield, Michigan 48375.

For both the Western Oakland County Cable Communication Authority and the Resource Recovery and Recycling Authority of Southwest Oakland County, the City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Note 10 - Defined Benefit Pension Plan

Plan Description - The City participates in the Michigan Municipal Employees' Retirement System (the "System"), an agent multiple-employer defined benefit pension plan that covers substantially all employees of the City. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy - The obligation to contribute to and maintain the System for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees ranging from 0 percent to 6.26 percent.

Note 10 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost - For the year ended June 30, 2014, the City's annual pension cost of \$783,319 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.50 percent per year, and (c) 2.50 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 1 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 25 years.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2014	2013	2012
Annual pension cost (APC)	\$ 783,319	\$ 772,277	\$ 784,321
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2013	2012	2011
Actuarial value of assets	\$ 18,128,022	\$ 17,554,959	\$ 16,733,415
Actuarial accrued liability (AAL) (entry age)	\$ 28,497,627	\$ 26,569,541	\$ 24,753,941
Unfunded AAL (UAAL)	\$ 10,369,605	\$ 9,014,582	\$ 8,020,526
Funded ratio	63.6 %	66.1 %	67.6 %
Covered payroll	\$ 2,467,231	\$ 2,909,364	\$ 3,330,365
UAAL as a percentage of covered payroll	420.3 %	309.8 %	240.8 %

Note 11 - Deferred Compensation Plan

The City offers an employee-only contributing deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent City employees, permits each employee to defer a portion of their salary until future years. The deferred compensation is not available for distribution to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan with VALIC or MERS, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of the plan participants and their beneficiaries. The assets shall not be diverted for any other purpose. All provisions of the plan and trust are in conformance with Internal Revenue Code Section 457.

The plan's funds are excluded from the financial statements in conformance with the reporting and disclosure requirements in GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

Note 12 - Other Postemployment Benefits

Plan Description - The City provides retiree healthcare benefits to eligible employees and their spouses. Currently, the plan has 57 members (including City and library employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits). This is a single employer defined benefit plan administered by the Municipal Employees' Retirement System (MERS). The benefits are provided under collective bargaining agreements or executive directives approved by the City Council. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions. The City has allowed the Wixom Public Library, a separate governmental entity, to also participate in this plan.

Funding Policy - The collective bargaining agreements require a contribution of 1 percent of payroll from employees. Retiree healthcare costs are recognized when paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, as shown below, the City has made contributions to advance-fund these benefits, as determined by the City Council through annual budget resolutions.

Note 12 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended June 30, 2014, the City has estimated the cost of providing retiree health care benefits through an actuarial valuation as of June 30, 2012. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 651,658
Interest on the prior year's net OPEB obligation	46,023
Less adjustment to the annual required contribution	<u>(31,241)</u>
 Annual OPEB cost	 666,440
Amounts contributed:	
Payments of current premiums	(186,560)
Advance funding	<u>(872,629)</u>
 Decrease in net OPEB obligation	 (392,749)
OPEB obligation - Beginning of year	<u>708,051</u>
OPEB obligation - End of year	<u><u>\$ 315,302</u></u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
6/30/12	\$ 652,942	26.0	\$ 578,037
6/30/13	662,564	79.1	708,051
6/30/14	666,440	158.9	315,302

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/11	\$ 3,419,519	\$ 7,495,267	\$ 4,075,748	45.6	\$ 3,620,780	112.6
6/30/12	3,580,413	9,435,886	5,855,473	37.9	3,481,219	168.2

Note 12 - Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets. The UAAL is being amortized as a level percentage of projected payroll on an open basis for 30 years.

The following simplifying assumptions were made:

Retirement Age for Active Employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62 or at the first subsequent year in which the member would qualify for benefits.

Marital Status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on RP2000 Mortality Tables for males and females projected 10 years.

Turnover - Standard turnover assumptions were used from GASB Statement No. 45 paragraph 35b.

Healthcare Cost Trend Rate - Healthcare cost trend rates used in the analysis were developed consistent with the Getzen model promulgated by the Society of Actuaries for use in long-term trend projections. A rate for healthcare costs of 7.0 percent and pharmacy costs of 8.0 percent initially, reduced to an ultimate rate of 4.7 percent after 10 years, was used.

Note 12 - Other Postemployment Benefits (Continued)

Health Insurance Premiums - Fiscal year 2012 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Payroll Growth Rate - The expected long-term payroll growth rate was assumed to be 2.0 percent.

Note 13 - Brownfield Redevelopment Authority

The Brownfield Redevelopment Authority was established pursuant to Public Act 381 of 1996 and is governed by the Oakland County Brownfield Redevelopment Authority. Upon completion of its purpose, the authority may be dissolved by resolution of the City Council. The City only collects property tax revenue and remits it to Oakland County Brownfield Redevelopment Authority. The Oakland County Brownfield Redevelopment Authority is responsible for the disbursement and accounting for all monies received. The City collected and remitted \$14,232 in captured revenue for the Brownfield Redevelopment Authority during fiscal year 2014.

Note 14 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The unfunded pension liability for the City in total at December 31, 2013 was approximately \$10.4 million; the City has not calculated the portion attributable to governmental activities. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

Required Supplemental Information

City of Wixom, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,273,642	\$ 7,273,642	\$ 7,402,319	\$ 128,677
Licenses and permits	73,600	73,600	60,964	(12,636)
State-shared revenue and grants	1,086,637	1,086,637	1,096,203	9,566
Charges for services	745,620	1,023,885	1,027,518	3,633
Fines and forfeitures	25,000	25,000	21,115	(3,885)
Investment income	50,000	50,000	22,754	(27,246)
Rental income	51,500	51,500	41,383	(10,117)
Other revenue	315,068	315,068	383,618	68,550
Total revenue	9,621,067	9,899,332	10,055,874	156,542
Expenditures - Current				
General government:				
Legislative	15,876	15,876	13,703	2,173
City Manager	296,817	328,379	323,219	5,160
Financial administration	394,072	407,831	405,200	2,631
Information systems	115,031	115,845	106,898	8,947
Assessing	167,211	178,630	174,826	3,804
Board of Review	1,150	1,196	1,100	96
Clerk	179,255	168,871	160,445	8,426
Building maintenance	61,410	61,410	51,385	10,025
Legal counsel and assistance	58,950	58,950	53,370	5,580
OPEB contribution	625,000	840,629	840,629	-
General operating	659,581	454,090	422,238	31,852
Total general government	2,574,353	2,631,707	2,553,013	78,694
Public safety:				
Police	3,229,713	2,896,483	2,783,692	112,791
Fire	980,636	881,512	846,980	34,532
Building	336,824	544,016	457,414	86,602
Total public safety	4,547,173	4,322,011	4,088,086	233,925
DPW	477,055	525,952	517,118	8,834
Community and economic development - Planning, zoning, and related	106,201	104,930	81,507	23,423
Recreation and culture:				
Community service	412,726	453,369	379,173	74,196
Cultural center	317,765	311,327	297,721	13,606
Senior citizen committee	60,142	49,044	42,836	6,208
Total recreation and culture	790,633	813,740	719,730	94,010
Total expenditures	8,495,415	8,398,340	7,959,454	438,886
Excess of Revenue Over Expenditures	1,125,652	1,500,992	2,096,420	595,428
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	9,000	9,000	-	(9,000)
Transfers in	-	-	4,941	4,941
Transfers out	(940,458)	(1,652,467)	(1,454,175)	198,292
Total other financing uses	(931,458)	(1,643,467)	(1,449,234)	194,233
Net Change in Fund Balance	194,194	(142,475)	647,186	789,661
Fund Balance - Beginning of year	1,826,122	1,773,741	2,446,480	672,739
Fund Balance - End of year	\$ 2,020,316	\$ 1,631,266	\$ 3,093,666	\$ 1,462,400

City of Wixom, Michigan

Note to Required Supplemental Information Year Ended June 30, 2014

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end. At the first City Council meeting in April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Financial plans for all other funds are also submitted at this time. Budget sessions and public hearings are conducted by the City Council to review the proposed City Manager's budget/financial plans and to obtain taxpayer comments. If required, a Truth-In-Taxation Public Hearing is held at the second City Council meeting in May. The budget must be formally adopted no later than the second City Council meeting in May when the budget is legally enacted through passage of a Council resolution.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level. All other funds' budgets have been adopted on an aggregate basis by function or department.

Formal budgetary integration is employed as a management control device during the year for all funds at a line-item level. Administrative control is maintained through the establishment of more detailed line-item budgets. Budget transfers between budgetary categories, functions, or from fund balance are periodically approved by the City Council. Supplemental appropriations for additional expenditures, which require an appropriation of available fund balance, must be approved by the City Council. Appropriations for operations lapse at year end. Appropriations for continuing projects are incorporated in the budget of the ensuing year.

Department heads with City Manager approval may make transfers of appropriations annually within a department up to an aggregate of \$20,000. The City closely monitors spending by reviewing monthly budget reports and, if necessary, will perform periodic budget amendments to reflect significant changes in the budget. In addition, the City Manager informs the City Council of any changes in the financial plan for the capital project funds, debt service funds, and enterprise funds.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. During the year, the budget was amended in a legally permissible manner. Budgets have been prepared on a basis consistent with generally accepted accounting principles (GAAP).

City of Wixom, Michigan

Note to Required Supplemental Information (Continued) Year Ended June 30, 2014

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Total Financing Uses</u>
Amounts per operating statement	\$10,057,902	\$ 7,959,454	\$ (779,283)
Budget Stabilization Fund revenue	(2,028)	-	-
General Fund operating transfer to Budget Stabilization Fund	-	-	(669,951)
Amounts per budget statement	<u>\$10,055,874</u>	<u>\$ 7,959,454</u>	<u>\$ (1,449,234)</u>

The City did not have any expenditure budget overruns.

City of Wixom, Michigan

Required Supplemental Information OPEB System Schedule Year Ended June 30, 2014

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/11	\$ 3,419,519	\$ 7,495,267	\$ 4,075,748	45.6	\$ 3,620,780	112.6
6/30/12	3,580,413	9,435,886	5,855,473	37.9	3,481,219	168.2

City of Wixom, Michigan

Required Supplemental Information Pension System Schedule Year Ended June 30, 2014

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/11	\$ 16,733,415	\$ 24,753,941	\$ 8,020,526	67.6	\$ 3,330,365	240.8
12/31/12	17,554,959	26,569,541	9,014,582	66.1	2,909,364	309.8
12/31/13	18,128,022	28,497,627	10,369,605	63.6	2,467,231	420.3

Other Supplemental Information

City of Wixom, Michigan

	Special Revenue Funds					
	Community Development	Major Road Act 51	Local Road Act 51	Land Acquisition	Forfeiture	Safety Path Road Program
Assets						
Cash and investments	\$ -	\$ -	\$ -	\$ 1,015,951	\$ 11,309	\$ 296,239
Receivables:						
Property taxes receivable	-	-	-	-	-	-
Other receivables	-	-	-	-	-	23
Due from other governmental units	20,444	87,696	37,342	-	-	-
Due from other funds	563	31,121	-	-	-	-
Total assets	\$ 21,007	\$ 118,817	\$ 37,342	\$ 1,015,951	\$ 11,309	\$ 296,262
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	\$ 7,169	\$ -	\$ -	\$ 680	\$ -	\$ 1,575
Due to other funds	-	-	37,342	-	-	1,141
Advances from other funds	-	-	-	-	-	-
Accrued salaries and other	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	7,169	-	37,342	680	-	2,716
Deferred Inflows of Resources -						
Unavailable revenue	9,437	-	-	-	-	-
Fund Balances						
Nonspendable:						
Restricted:						
Roads and bike paths	-	118,817	-	-	-	293,546
Debt service	-	-	-	-	-	-
Land acquisition	-	-	-	1,015,271	-	-
Police forfeitures	-	-	-	-	11,309	-
Solid waste	-	-	-	-	-	-
Development contracts	-	-	-	-	-	-
Community development	4,401	-	-	-	-	-
Committed - Cemetery	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Total fund balances	4,401	118,817	-	1,015,271	11,309	293,546
Total liabilities, deferred inflows of resources, and fund balances	\$ 21,007	\$ 118,817	\$ 37,342	\$ 1,015,951	\$ 11,309	\$ 296,262

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

Special Revenue Funds			Debt Service Funds			Capital Projects Funds			Total
Solid Waste	Special Agency	Cemetery	Major Road Debt	DPW and Fire Building	Development Debt	Capital Improvement	Major Road Capital Program	Local Road Capital Program	Nonmajor Governmental Funds
\$ 148,553	\$ 53,162	\$ 97,285	\$ 1,421	\$ 18,268	\$ 85	\$ 1,357,921	\$ 764,917	\$ 1,781,598	\$ 5,546,709
-	-	-	136	70	-	-	-	-	206
2,951	-	-	-	-	-	-	-	90	3,064
-	-	-	-	-	-	-	-	-	145,482
-	1,239,516	-	1,605	-	9,323	247,604	1,272	-	1,531,004
\$ 151,504	\$ 1,292,678	\$ 97,285	\$ 3,162	\$ 18,338	\$ 9,408	\$ 1,605,525	\$ 766,189	\$ 1,781,688	\$ 7,226,465
\$ 38,663	\$ 36,784	\$ 940	\$ -	\$ -	\$ -	\$ 13,191	\$ -	\$ 315,981	\$ 414,983
8,063	-	-	-	1,682	-	-	-	92,319	140,547
-	-	-	-	-	-	354,130	-	-	354,130
-	10,000	-	3,162	1,623	-	-	-	4,139	18,924
-	324,324	-	-	-	-	-	-	-	324,324
46,726	371,108	940	3,162	3,305	-	367,321	-	412,439	1,252,908
-	-	-	-	-	-	-	-	-	9,437
-	-	-	-	-	-	-	766,189	1,369,249	2,547,801
-	-	-	-	15,033	9,408	-	-	-	24,441
-	-	-	-	-	-	-	-	-	1,015,271
-	-	-	-	-	-	-	-	-	11,309
104,778	-	-	-	-	-	-	-	-	104,778
-	921,570	-	-	-	-	-	-	-	921,570
-	-	-	-	-	-	-	-	-	4,401
-	-	96,345	-	-	-	-	-	-	96,345
-	-	-	-	-	-	1,238,204	-	-	1,238,204
104,778	921,570	96,345	-	15,033	9,408	1,238,204	766,189	1,369,249	5,964,120
\$ 151,504	\$ 1,292,678	\$ 97,285	\$ 3,162	\$ 18,338	\$ 9,408	\$ 1,605,525	\$ 766,189	\$ 1,781,688	\$ 7,226,465

City of Wixom, Michigan

	Special Revenue Funds					
	Community Development	Major Road Act 51	Local Road Act 51	Land Acquisition	Forfeiture	Safety Path Road Program
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,230
Federal grants	19,675	-	-	-	-	-
State-shared revenue and grants	-	560,828	245,472	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	1,333	-
Investment income	-	-	-	363	11	93
Other revenue	-	-	-	15,000	-	-
Total revenue	19,675	560,828	245,472	15,363	1,344	190,323
Expenditures						
Current:						
General government	-	-	-	640	-	-
Public safety	-	-	-	-	21,700	-
Public works	-	309,355	378,128	-	-	-
Community and economic development	15,274	-	-	-	-	-
Capital outlay	-	-	-	44,439	-	10,723
Debt service	-	-	-	-	-	-
Total expenditures	15,274	309,355	378,128	45,079	21,700	10,723
Excess of Revenue Over (Under) Expenditures	4,401	251,473	(132,656)	(29,716)	(20,356)	179,600
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	-	-	-	65,420	-	-
Transfers in	-	-	132,656	-	-	-
Transfers out	-	(132,656)	-	-	-	-
Total other financing (uses) sources	-	(132,656)	132,656	65,420	-	-
Net Change in Fund Balances	4,401	118,817	-	35,704	(20,356)	179,600
Fund Balances - Beginning of year	-	-	-	979,567	31,665	113,946
Fund Balances - End of year	\$ 4,401	\$ 118,817	\$ -	\$ 1,015,271	\$ 11,309	\$ 293,546

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014

Special Revenue Funds			Debt Service Funds			Capital Projects Funds			Total
Solid Waste	Special Agency	Cemetery	Major Road Debt	DPW and Fire Building	Development Debt	Capital Improvement	Major Road Capital Program	Local Road Capital Program	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 560,108	\$ 290,120	\$ -	\$ -	\$ -	\$ 729,267	\$ 1,769,725
-	-	-	-	-	-	69,091	-	-	88,766
-	3,168	-	-	-	-	-	-	-	809,468
474,644	216,639	7,900	-	-	-	-	-	-	699,183
-	-	-	-	-	-	-	-	-	1,333
115	17	34	120	62	14	1,864	282	736	3,711
3,896	1,098	-	-	-	186,263	-	6,914	3,215	216,386
<u>478,655</u>	<u>220,922</u>	<u>7,934</u>	<u>560,228</u>	<u>290,182</u>	<u>186,277</u>	<u>70,955</u>	<u>7,196</u>	<u>733,218</u>	<u>3,588,572</u>
-	73	265	529	529	529	-	-	-	2,565
-	2,694	-	-	-	-	-	-	-	24,394
482,757	-	6,360	-	-	-	-	-	-	1,176,600
-	219,618	-	-	-	-	-	-	-	234,892
-	-	-	-	-	-	493,920	5,642	867,851	1,422,575
-	-	-	565,183	279,828	432,372	11,479	-	-	1,288,862
<u>482,757</u>	<u>222,385</u>	<u>6,625</u>	<u>565,712</u>	<u>280,357</u>	<u>432,901</u>	<u>505,399</u>	<u>5,642</u>	<u>867,851</u>	<u>4,149,888</u>
(4,102)	(1,463)	1,309	(5,484)	9,825	(246,624)	(434,444)	1,554	(134,633)	(561,316)
-	-	-	-	-	-	-	-	-	65,420
-	-	-	5,484	-	255,768	522,972	-	-	916,880
-	(4,941)	-	-	-	-	-	-	-	(137,597)
<u>-</u>	<u>(4,941)</u>	<u>-</u>	<u>5,484</u>	<u>-</u>	<u>255,768</u>	<u>522,972</u>	<u>-</u>	<u>-</u>	<u>844,703</u>
(4,102)	(6,404)	1,309	-	9,825	9,144	88,528	1,554	(134,633)	283,387
108,880	927,974	95,036	-	5,208	264	1,149,676	764,635	1,503,882	5,680,733
<u>\$ 104,778</u>	<u>\$ 921,570</u>	<u>\$ 96,345</u>	<u>\$ -</u>	<u>\$ 15,033</u>	<u>\$ 9,408</u>	<u>\$ 1,238,204</u>	<u>\$ 766,189</u>	<u>\$ 1,369,249</u>	<u>\$ 5,964,120</u>